

GREATER MARBLE HALL LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages **2 to 29**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in **note 22** of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

DATE

GREATER MARBLE HALL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008	2007
		R	R
NET ASSETS & LIABILITIES			
Net Assets			
Government grant reserve	2	69 271 550	64 527 035
Donations and public contribution reserves	2	16 869 663	13 498 386
Accumulated surplus/(deficit)		10 050 940	1 578 947
		42 350 947	49 449 702
Non-current liabilities			
Long Term Liabilities	3	7 704 813	8 421 835
Current liabilities			
Consumer deposits	4	14 219 607	8 534 910
Bank overdraft	13	1 522 333	1 496 878
Trade and other payables	5	75 956	-
Unspent conditional grants and receipts	10	9 419 535	5 580 418
Current portion of long term liabilities	5	2 454 429	1 003 466
		747 355	454 148
Total Net Assets and Liabilities		91 195 970	81 483 780
ASSETS			
Non-current assets			
Property, plant & equipment	7	62 682 130	54 253 582
Non-current receivables	9	62 630 751	54 249 202
		51 379	4 380
Current assets			
Inventory	10	28 513 840	27 230 199
Short-term investments	8	3 203 920	2 539 131
Consumer debtors	11	16 220 403	16 536 942
Other receivables	12	8 175 237	5 774 348
Current portion of long-term receivables	13	905 453	908 706
Cash and cash equivalents	13	-	71 679
		8 826	1 399 393
Total Assets		91 195 970	81 483 780

GREATER MARBLE HALL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Property rates	14	4 743 322	4 463 014
Service charges	15	17 030 641	18 379 004
Rental of facilities and equipment		88 548	121 925
Investment Revenue – external investments	19	832 546	4 319 036
Interest earned – outstanding debtors		295 110	1 103 687
Licenses and permits		8 463 323	7 158 431
Government grants and subsidies received - operating	16	27 049 648	24 518 112
Government grants and subsidies received - capital	16	6 060 985	4 329 230
Public contributions, donated and contributed property, plant and equipment	18	9 515 910	1 578 947
Other revenue	20	1 364 180	4 951 053
Fair Value Adjustment - Land held for sale		-	2 646 428
Total Revenue		75 444 211	73 568 867
EXPENDITURE			
Employee related costs	21	24 467 813	20 756 160
Remuneration of councillors	22	4 995 679	4 693 278
Bad debts		215 310	1 918 959
Depreciation		6 935 423	5 960 858
Repairs and maintenance		2 379 539	1 694 567
Finance cost	23	1 393 718	1 674 958
Bulk purchases	24	8 578 372	9 982 284
General expenses (including abnormal expenses)	25	21 476 893	17 108 650
Fair Value Adjustment - Land held for sale		227 176	-
Total Expenditure		70 669 925	63 789 715
NET SURPLUS/(DEFICIT) FOR THE YEAR		4 774 287	9 779 153

GREATER MARBLE HALL LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Pre Gamap Reserves & Funds	Government Grant Reserve	Donation & Public Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
2007	R	R	R	R	R
Balance at 1 July 2006	14 722 684			2 635 397	17 358 081
Implementation of GAMAP (note 26)	(14 722 684)	10 730 820	-	41 383 546	37 391 681
Change in accounting policy				(1 879)	(1 879)
Restated balance	(0)	10 730 820	-	44 017 063	54 747 883
Net surplus for the year				9 779 153	9 779 153
Appropriations				-	-
Property, plant and equipment purchased		3 829 230		(3 829 230)	-
Capital grants used to purchase PPE			1 578 947	(1 578 947)	-
Donated/contributed PPE				-	-
Asset disposals		(1 061 663)		1 061 663	-
Offsetting of depreciation					-
Balance at 30 June 2007	(0)	13 498 386	1 578 947	49 449 702	64 527 035
2008					
Correction of error (note 32)					-
Changes in accounting policy					-
Restated balance	(0)	13 498 386	1 578 947	49 449 702	64 527 035
Net surplus for the year				4 412 652	4 412 652
Appropriations				3 557 036	3 557 036
Property, plant and equipment purchased		4 827 764		(4 827 764)	-
Capital grants used to purchase PPE			8 808 910	(8 808 910)	-
Donated/contributed PPE				-	-
Asset disposals		(1 456 487)	(336 917)	(1 793 404)	(3 586 808)
Offsetting of depreciation					-
Balance at 30 June 2008	(0)	16 869 663	10 050 940	41 989 312	68 909 915

GREATER MARBLE HALL LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from ratepayers, government and others			
Cash paid to suppliers and employees			
Cash generated from / (utilized in) operations		14 538 540	4 668 635
Interest received	19	1 127 655	5 422 723
Interest paid		(1 393 718)	(1 674 958)
Net cash from operating activities		14 272 478	8 416 400
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(15 316 973)	(10 525 723)
Proceeds on disposal of property, plant and equipment			
(Increase)/decrease in non-current receivables		(46 999)	895 425
(Increase)/decrease in investments		316 539	(1 341 965)
Net cash from investment activities		(15 047 433)	(10 972 263)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(717 022)	3 053 186
Increase/(decrease) in deposits		25 455	4 143
Net cash from financing activities		(691 567)	3 057 329
Increase/(decrease) in cash and cash equivalents		(1 466 523)	501 466
Cash and cash equivalents at beginning of the year		1 399 393	897 927
Cash and cash equivalents at end of the year		67 130	(1 399 393)

GREATER MARBLE HALL LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and a

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in

These standards are summarised as follows:

GRAP 1: Presentation of financial statements.

GRAP 2: Cash flow statements.

GRAP 3: Accounting policies, changes in accounting estimates and errors.

GAMAP 4: Effects of changes in foreign exchange rates.

GAMAP 6: Consolidated financial statements and accounting for controlled entities.

GAMAP 9: Revenue.

GAMAP 7: Accounting for investments in associates.

GAMAP 8: Financial reporting of interests in joint ventures.

GAMAP 12: Inventories.

GAMAP 17: Property, plant and equipment.

GAMAP 19: Provisions, contingent liabilities and contingent assets.

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards related to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and/or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

GAMAP, GRAP and GAAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP, GRAP and GAAP is set out in **Note 26**.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in Government Gazette 30013.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.4 RESERVES

a) Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Pe

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of pr

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grants Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

b) Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions r

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of prope

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.5 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost. Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses. Such assets are financed either by external loans, capital replacement reserve, government grants and contributions and donations.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimated cost of dismantling the asset.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition.

Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use, and are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<u>Infrastructure Assets</u>	<u>Years</u>
Roads, pavements, bridges and storm water	10-30
Street names, signs and parking meters	5-7
Water reservoirs and reticulation	15-20
Water meters	7
Car parks, bus terminals and taxi ranks	20
Electricity reticulation	15-30
Electricity meters	10
Sewerage purification and reticulation	15-20
Housing	30
Street lighting	20-25
Refuse sites	30

<u>Community Assets</u>	<u>Years</u>
Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	20-30
Clinics	30
Fire services	30
Cemeteries	30

1.5 PROPERTY, PLANT & EQUIPMENT (CONT)

<u>Other Assets</u>	
Motor vehicles	5-7
Plant and equipment	5-15
Security measures	3-10
Buildings	30
IT equipment	3-5
Office equipment	3-7
Specialised vehicles	15-20

Land is not depreciated as it is regarded as having an infinite life.

The useful life or depreciation method for items of property, plant and equipment that have been recognised was not reviewed as permitted in terms of Gazette 30013 of 29 June 2007.

Impairment

The testing for and impairing of any items of property, plant and equipment were not accounted for as permitted in terms of Gazette 30013 of 29 June 2007

Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.7 INVESTMENT PROPERTY

Investment property as property (land or a building or part of a building or both) held to earn rentals or capital appreciation is stated at cost. Where an investment property is acquired at no cost, or for a nominal cost, its cost is recognised at its fair value as at the date of acquisition.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

The process for identifying investment property had not been finalised and items that may meet the definition was accounted for in terms of GAMAP 17 under property, plant and equipment as permitted in terms of Gazette 30013 of 29 June 2007.

1.8 FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables. Financial instruments are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets.

Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

Accounts receivable

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments of all debt outstanding for more than 150 days are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

When an under recovery occurs during the year an additional contribution for impairment is made from the accumulated surplus at year end.

Bad debts are written off during the year in which they are identified as irrecoverable.

Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.8 FINANCIAL INSTRUMENTS (CONT)

Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

Leases

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Operating lease payments or receipts are recognised on the basis of the actual cash inflows and outflows as per the lease contract as permitted in terms of Gazette 30013 of 29 June 2007.

1.9 INVENTORY

The cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Water purification costs incurred for non-purchased water has been recognised whilst pre-purified non-purchased water was not recognised as permitted in terms of Gazette 30013 of 29 June 2007.

The process to identify immovable capital assets as inventory/stock are not finalised yet and were accounted for in terms of GAMAP 17 as permitted in terms of Gazette 30013 of 29 June 2007.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.10 TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade creditors are recognise initially at cost price as permitted in terms of Gazette 30013 of 29 June 2007.

1.11 REVENUErecognition

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Rendering of service

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or services potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

This principle also applies to tariffs or charges.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;
- The municipality retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income from sold housing by way of instalment sales agreements is recognised on a time proportion basis.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Rates, including collection charges and penalty interest

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- There has been compliance with the relevant legal requirements.

The Municipality uses a differentiated site value assessment rate system. According to this assessment rates are levied on the land value of properties and rebates are granted according to the usage of a particular property.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.11 REVENUErecognition (CONT)

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Service charges

Flat rate service charges and consumption-based service charges shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Fines

Revenue from the issuing of fines is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Revenue from fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected.

Government Grants

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.11 REVENUErecognition (CONT)

Other grants and donations received

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the conditions were not met, a liability is recognised.

Levies

Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement; and

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

Revenue are initially recognised at cost as permitted in terms of Gazette 30013 of 29 June 2007.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

1.13 CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

1.14 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

1.15 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is raised.

1.16 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of 32 days or daily calls.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.21 RETIREMENT BENEFITS

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

b) Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Post employment medical care benefits are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

1.22 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.23 CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.24 EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

1.25 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
2. RESERVES		
Government Grants Reserve	16 869 663	13 498 386
Donations and Public Contribution Reserve	10 050 940	1 578 947
	<u>26 920 603</u>	<u>15 077 333</u>
3. LONG TERM LIABILITIES		
Annuity loans	8 364 136	8 771 961
Less: Current portion transferred to current liabilities	(691 066)	(407 825)
	<u>7 673 070</u>	<u>8 364 136</u>
Finance Lease	88 031	104 022
Less: Current portion transferred to current liabilities	(56 289)	(46 323)
	<u>31 743</u>	<u>57 699</u>
	<u>7 704 813</u>	<u>8 421 835</u>
Refer to Appendix A for more detail on long term liabilities.		
4. CONSUMER DEPOSITS		
Electricity and Water	<u>2 417 488</u>	<u>2 392 033</u>
No interest is paid on deposits.		
Guarantees held in lieu of electricity and water deposits	<u>895 155</u>	<u>895 155</u>
5 TRADE AND OTHER PAYABLES		
Trade Creditors	4 399 217	2 547 926
Sundry deposits	11 841	10 291
Other creditors	1 577 617	443 972
Staff leave	1 407 606	1 073 432
Retention money	2 023 254	1 504 797
	<u>9 419 535</u>	<u>5 580 418</u>
Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per gazette 30013 of 29 June 2007.		
6 CONDITIONAL GRANTS FROM GOVERNMENT		
Finance management grant	2 426	31 883
Municipal systems improvement grant	236 811	293 811
Provincial Local Government - Premier's Special Project	12 999	7 416
GSDM - Ward Committee Support	7 555	-
GSDM - Logistic HUB	350 000	-
Municipal infrastructure grant	1 844 638	670 356
	<u>2 454 429</u>	<u>1 003 466</u>
See note 17 for reconciliation of grants. These amounts are invested until utilised.		

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

7 PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Community Assets R	Other Assets R	Total R
Carrying values at 1 July 2007	10 072 550	24 885 747	1 134 484	18 156 421	54 249 202
Cost	10 429 285	27 543 241	1 207 902	31 909 852	71 090 279
Accumulated depreciation – cost	(356 735)	(2 657 493)	(73 418)	(13 753 431)	(16 841 077)
Acquisitions	11 139 132	5 051 118	190 000	1 181 424	17 561 673
Capital under construction	(2 795 332)		550 631		(2 244 701)
Depreciation – based on cost	(276 366)	(1 687 149)	(50 012)	(4 921 897)	(6 935 423)
Carrying value of disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Carrying values at 30 June 2008	18 139 985	28 249 716	1 825 103	14 415 947	62 630 751
Cost	18 773 085	32 594 358	1 948 533	33 091 275	86 407 252
Accumulated depreciation – cost	(633 100)	(4 344 642)	(123 430)	(18 675 329)	(23 776 501)
Carrying values at 1 July 2006	7 077 175	21 605 179	1 178 145	19 823 837	49 684 336
Cost	7 263 193	22 974 161	1 207 902	29 119 300	60 564 556
Accumulated depreciation – cost	(186 018)	(1 368 982)	(29 757)	(9 295 463)	(10 880 220)
Acquisitions	370 759	4 569 080	-	2 790 552	7 730 391
Capital under construction	2 795 332				2 795 332
Depreciation – based on cost	(170 717)	(1 288 512)	(43 661)	(4 457 968)	(5 960 858)
Carrying value of disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2007	10 072 550	24 885 747	1 134 484	18 156 421	54 249 202
Cost	10 429 285	27 543 241	1 207 902	31 909 852	71 090 279
Accumulated depreciation – cost	(356 735)	(2 657 493)	(73 418)	(13 753 431)	(16 841 077)

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R	
8 INVESTMENTS			
Short Term Fixed Deposits			
First National Bank		509 090	
Rand Merchant Bank	16 220 403	16 027 852	
	16 220 403	16 536 942	
Council's valuation of investments	16 220 403	16 536 942	
9 NON CURRENT RECEIVABLES			
Motor car loans		71 679	
Study Loans	51 379	4 380	
Less: current portion transferred to current receivables	-	(71 679)	
	51 379	4 380	
Senior staff were previously entitled to car loans which attracted different interests and which were repayable over a maximum period of 5 years. These loans were repaid in the year 2008.			
10 INVENTORY			
Consumable stock	924 262	950 055	
Land Held for Sale	2 279 658	1 589 076	
	3 203 920	2 539 131	
11 CONSUMER DEBTORS			
	Gross Balance	Provision for Bad Debt	Net Balance
30 June 2008			
Service debtors:			
Property rates	6 715 491	(2 775 757)	3 939 734
Electricity	1 061 148	(328 001)	733 147
Water	881 715	(272 538)	609 177
Sewerage	3 476 391	(1 074 552)	2 401 839
Refuse	627 326	(193 906)	433 420
Other	668 911	(906 760)	(237 849)
	4 686 486	(450 983)	4 235 503
	11 401 977	(3 226 740)	8 175 237
30 June 2007			
	8 992 594	(3 218 246)	5 774 348

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
AGEING OF CONSUMER DEBTORS		
Property Rates		
Current (0-30 days)	382 449	
31-60 days	71 054	
61-90 days	43 268	
91-120 days	29 649	
121-150 days	534 728	
Sub-total	1 061 148	
Services		
Current (0-30 days)	1 466 767	
31-60 days	190 725	
61-90 days	129 266	
91-120 days	110 492	
121-150 days	3 757 094	
Sub-total	5 654 344	
Other		
Current (0-30 days)	852 385	
31-60 days	363 918	
61-90 days	117 187	
91-120 days	94 494	
121-150 days	57 777	
151+ days	3 200 725	
Sub-total	4 686 486	
Total consumer debtors	11 401 978	
Debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007		
12 OTHER RECEIVABLES		
Grants Spent, not yet received	143 103	-
Other debtors	581 908	595 924
Sundry Loan	206 817	206 817
VAT	180 443	105 966
	1 112 270	908 706
Impairment of Sundry Loan	(206 817)	-
	905 453	908 706

Other debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
13 CASH AND CASH EQUIVALENTS		
The municipality has the following bank account:		
First National bank: Marble Hall		
Account number: 52950020208		
Current account (primary bank account)		
Bank statement balance at beginning of year	3 788 984	
Bank statement balance at end of year	<u>2 168 554</u>	<u>3 788 984</u>
Cash book balance at beginning of year	1 308 238	838 559
Cash book balance at end of year	<u>(75 956)</u>	<u>1 308 238</u>
Current account (PHP HOUSING)		
Bank statement balance at beginning of year	92 144	
Bank statement balance at end of year	<u>9 516</u>	<u>92 144</u>
Cash book balance at beginning of year	90 855	838 559
Cash book balance at end of year	<u>8 526</u>	<u>90 855</u>
Petty cash		
Balance at end of year	300	300
Total cash resources	<u>(67 130)</u>	<u>1 399 393</u>
14 PROPERTY RATES		
Residential	1 897 650	
Government	213 043	
Commercial	<u>2 845 673</u>	
	<u>4 956 365</u>	
VALUATIONS		
Residential	134 615 123	
Government	12 545 900	
Commercial	99 684 110	
Municipal	8 605 900	
Exempted	<u>8 515 000</u>	
	<u>263 966 033</u>	
Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2008. The basic rate for 2007/8 was 32c in the Rand on land.		
15 SERVICE CHARGES		
Sale of electricity	9 940 164	9 481 861
Sale of water	3 861 720	5 884 852
Refuse removal	1 646 177	1 478 999
Sewerage and sanitation charges	1 582 580	1 533 291
	<u>17 030 641</u>	<u>18 379 004</u>

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16 GOVERNMENT SUBSIDIES & GRANTS

Operating Grants

Equitable share
Finance management grant (FMG)
Municipal systems improvement grant (MSIG)
Valuation Roll
Premier's Special Project - Tribal Offices
Ward Committee Support
GAMAP/GRAP conversion Support

2008 R	2007 R
26 957 695	24 998 203
24 335 376	22 355 430
529 457	500 000
791 000	440 189
500 000	-
494 417	1 492 584
307 445	210 000
-	-

Capital Grants

Municipal infrastructural grant (MIG)
Vuna Awards
European Union
(see note 10)

6 152 938	3 849 138
4 885 546	3 829 230
219 298	-
1 048 094	19 908
33 110 633	28 847 341

17 GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)

Equitable Share

This grant is an unconditionally grant and is partially utilized for the provision of indigent support through free basic services.

Finance Management Grant

Balance unspent at beginning of year
Current year receipts
Conditions met – transferred to revenue
Unspent amount transferred to liabilities
(see note 10)

31 883	31 883
500 000	500 000
(529 457)	(500 000)
2 426	31 883

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Municipal Systems Improvement Grant

Balance unspent at beginning of year
Current year receipts
Conditions met – transferred to revenue
Unspent amount transferred to liabilities
(see note 10)

293 811	-
734 000	734 000
(791 000)	(440 189)
236 811	293 811

This grant was used to build in-house capacity to perform their functions and stabilize institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Department of Local Government - Valuation Roll

Balance unspent at beginning of year
Current year receipts
Conditions met – transferred to revenue
Unspent amount transferred to liabilities
(see note 10)

500 000	-
(500 000)	-
-	-

This grant was used to assist in financing the cost of the implementation of the Municipal Property rates Act. All the conditions of the grant has been met and no funds were withheld

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<i>Provincial Local Government - Premier's Special Project</i>		
Balance unspent at beginning of year	7 416	-
Current year receipts	500 000	1 500 000
Conditions met – transferred to revenue	(494 417)	(1 492 584)
Unspent amount transferred to liabilities	12 999	7 416
(see note 10)		
This grant was used to assist to finance the cost of a Tribal Offices at Mashung. All the conditions of the grant has been met and no funds were withheld.		
<i>European Union</i>		
Balance unspent at beginning of year	0	-
Current year receipts	904 991	19 908
Conditions met – transferred to revenue	(1 048 094)	(19 908)
Overspent amount transferred to Other Debtors	(143 102)	0
(see note 10)		
This grant was used to assist in the development of a LED strategy, the establishment of a Logistical HUB as well as to improve Horticulture within the municipal areas. All the conditions of the grant has been met and no funds were withheld.		
<i>Greater Sekhukhune District Municipality - Ward Committee Support</i>		
Balance unspent at beginning of year	-	-
Current year receipts	315 000	210 000
Conditions met – transferred to revenue	(307 445)	(210 000)
Overspent amount transferred to Other Debtors	7 555	-
(see note 10)		
This grant was used to assist the municipality in supporting the Ward Committee structure and functioning. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
<i>Greater Sekhukhune District Municipality - GAMAP/GRAP Conversion</i>		
Balance unspent at beginning of year	-	-
Current year receipts	350 000	-
Conditions met – transferred to revenue	-	-
Overspent amount transferred to Other Debtors	350 000	-
(see note 10)		
This grant is intended to finance the Logisti Hub. To date, this grant has not been spent.		
<i>Municipal Infrastructure Grant (MIG)</i>		
Balance unspent at beginning of year	670 356	268 170
Current year receipts	6 059 828	4 231 416
Conditions met – transferred to revenue	(4 885 546)	(3 829 230)
Unspent amount transferred to liabilities	1 844 638	670 356
(see note 10)		
This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R
18	PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT		
	Greater Sekhukhune District Municipality	707 000	-
	Other donations	8 808 910	-
	Total donated property, plant & equipment	9 515 910	-
19	INVESTMENT REVENUE EXTERNAL INVESTMENTS		
	Current account	582 538	222 875
	External investments	250 008	4 096 162
		832 546	4 319 036
20	OTHER REVENUE		
	Building plan fees	42 662	14 675
	Interest car loans	3 295	11 556
	Grave Fees	13 070	12 730
	Tender Documents	238 951	1 509 237
	Other revenue	1 066 202	3 402 855
		1 364 180	4 951 053
21	EMPLOYEE RELATED COSTS		
	Employee related costs - Salaries and wages	20 928 133	18 292 598
	Employee related costs - Social contributions	299 092	248 399
	Travel allowances	2 377 684	1 047 817
	Overtime	862 904	1 167 347
		24 467 813	20 756 160
	Remuneration of Managers		
	Municipal Manager		
	Annual remuneration	445 848	
	Allowances	142 152	
	Council Contributions	6 000	
		594 000	550 000
	Executive Manager Finance		
	Annual remuneration	380 080	
	Allowances	99 000	
	Council Contributions	5 760	
		484 840	448 000
	Executive Manager Corporate Services		
	Annual remuneration	328 729	
	Allowances	108 944	
	Council Contributions	5 327	
		443 000	408 108
	Executive Manager Technical Services		
	Annual remuneration	340 000	
	Allowances	110 000	
	Council Contributions	-	
		450 000	349 920
	Executive Manager Community Services		
	Annual remuneration	321 757	
	Allowances	119 000	
	Council Contributions	-	
		440 757	349 920

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
During the year performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act		
22 REMUNERATION OF COUNCILLORS		
Executive Mayor	406 556	
Speaker	337 265	
Chief Whip	110 507	
Fulltime members of Exco	632 373	
Part time members of Exco	347 804	
General Councilors	2 501 487	
Councilors' Medical Aid Contribution	69 120	
Councilors' Pension Contribution	590 567	
	4 995 679	—
The Executive Mayor, Speaker and Chief Whip are full time. Each is provided with an office and secretarial support at the cost of Council.		
The Executive Mayor has use of a Council owned vehicle and driver for official duties.		
23 FINANCE COST		
Annuity loan	1 379 852	1 660 256
Finance Lease	13 866	14 702
	1 393 718	1 674 958
24 BULK PURCHASES		
Electricity	8 578 372	9 982 284
25 GENERAL EXPENSES		
Advertising Printing And Stationery	258 159	319 256
Audit Fees	1 015 475	220 325
Books Publications And Amendments	8 044	7 526
Cell Phones	356 176	172 986
Entertainment Expenses	107 134	128 498
Consultancy Fee	-	219 549
Licenses	4 767 999	2 429 473
Fuel Vehicles	22 632	19 168
Security Fee	1 688 124	1 081 675
Insurance	284 211	237 270
Postage And Telephone	855 377	765 812
Rental	466 579	569 036
Town Planning	179 716	18 910
Training And Conferences	308 245	435 673
Traveling And Subsistence	823 446	341 019
LED Expenditure	821 435	1 492 584
Other expenditure	9 514 143	8 649 892
	21 476 893	17 108 650

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R
26	CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:-		
26.1	Statutory Funds		
	Balance previously reported:-		
	Capital Development Fund	5 181 053	
	Land Development Fund	8 733 662	
		13 914 716	
	Implementation of GAMAP		
	Total (credited to Accumulated Surplus) (see 26.5 below)	13 914 716	
26.2	Loans Redeemed and Other Capital Receipts		
	Balance previously reported:-	47 532 830	
	Implementation of GAMAP		
	Transferred to Government Grant Reserve	13 839 610	
	Transferred to Township Development	3 923 568	
	Total (debited to Accumulated Surplus) (see 26.5 below)	29 769 652	
		47 532 830	
26.3	Provisions and Reserves		
	Balance previously reported:-		
	Bursary Fund	249 556	
	Study Loan Fund	48 989	
	Town Planning	105 265	
	Community Facilities Fund	69 286	
	Endowment Fund	41 863	
	Road Subsidy	63 717	
	Tariff Stabilisation Fund	229 294	
		807 968	
	Implementation of GAMAP		
	Total (Credited to Accumulated Surplus) (see 26.5 below)	807 968	
26.4	Accumulated Depreciation		
	Balance previously reported:-	-	
	Implementation of GAMAP		
	Backlog Depreciation debited to Accumulated Surplus (see 26.5 below)	3 108 791	
26.5	Accumulated surplus		
	Implementation of GAMAP		
	Transferred from Statutory Funds (see 26.1 above)	13 914 716	
	Transferred from Loans redeemed and Other Capital Receipts (see 26.2 above)	29 769 652	
	Transferred from Reserves (see 26.3 above)	807 968	
	Backlog depreciation (see 26.4 above)	(3 108 791)	
		41 383 546	

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
27 CHANGE IN ACCOUNTING POLICY OTHER THAN THE IMPLEMENTATION OF GAMAP/GRAP		
Deemed Finance Leases have been capitalised retrospectively. The impact of this change in accounting policy on the opening balances of the 2007 financial year are as follows:-		
Statement of Financial Position		
Finance Lease Obligation	124 788	
- Liability capitalised	168 010	
- Redemption	(43 222)	
Property, Plant and Equipment	122 908	
- Cost	168 010	
- Accumulated Depreciation	(45 102)	
Statement of Financial Performance		
Accumulated surplus/(deficit)	1 879	
- Redemption	(43 222)	
- Depreciation	45 102	
28 CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	4 774 287	9 779 153
Adjustment for:		
Depreciation charges	6 935 423	5 960 858
Fair Value adjustment	227 176	(2 646 428)
Contributions to bad debt	215 310	1 918 959
Interest received	(1 127 655)	(5 422 723)
Interest paid	1 393 718	1 674 958
GAMAP/GRAP Conversion	-	(5 714 572)
Operating surplus before working capital changes	12 418 259	5 550 204
(Increase)/decrease in inventories	(664 789)	(1 658 701)
(Increase)/decrease in debtors	(2 400 889)	757 630
(Increase)/decrease in other debtors	74 931	-
Increase/(decrease) in creditors	5 111 028	19 502
Cash generated by operations	<u>14 538 540</u>	<u>4 668 635</u>
29 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	3 658 853	-
Infrastructure	2 000 000	
Community assets	1 658 853	
Other assets		
Approved but not yet contracted for	3 390 000	-
Land and buildings		
Infrastructure	2 800 000	
Community assets	160 000	
Other assets	430 000	
Specialised vehicles		
	<u>7 048 853</u>	<u>-</u>
This expenditure will be financed from		
External loans		
Capital replacement reserve		
Government grants		
	<u>-</u>	<u>-</u>

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R	
30	ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003			
Contribution to SALGA				
Council membership fees payable		88 052		
Amount paid current year				
 Balance unpaid (included in creditors)		88 052	-	
Audit Fees				
Current year audit fee		1 015 475	220 325	
Amount paid current year		(1 015 475)	(220 325)	
 Balance unpaid (included in creditors)		-	-	
VAT				
Output Tax				
Opening balance				
Closing balance				
Input Tax				
Amount payable to SARS				
Amount paid current year				
 Balance outstanding (to)/from SARS		180 443	105 996	
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. VAT input receivables and VAT output receivable are shown in notes 14 and 7 respectively. All VAT returns have been submitted by the due date thro				
Pay as You Earn (PAYE)				
Current payroll deductions				
Amount paid current year				
 Balance unpaid		-	-	
Unemployment Insurance Fund (UIF)				
Current payroll deductions				
Amount paid current year				
 Balance unpaid		-	-	
31	ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003			
Medical Aid				
Current payroll deductions			1 455 779	
Amount paid current year		-	1 455 779	
 Balance unpaid				
Pension Fund				
Current payroll deductions			4 083 951	
Amount paid current year		-	4 083 951	
 Balance unpaid				
Disclosure concerning councilors				
Section 124(1)(b)				
The following councilors had arrear accounts outstanding for more than 90 days as at 30 June 2008:		Total 30 June 2008	Outstanding less than 90 days	Outstanding more than 90 days
Clr W Monama, Account no: 0007004890		9 176		9 176
Clr EM More, Account no: 0007012518		5 868		5 868
Total		15 044	-	15 044

In terms of this section, any arrears by individual councillors to the municipality for rates and services, which at any time during the relevant financial year was outstanding for more than 90 days, including the names of those councillors must be disclosed.

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	2007
R	R

GREATER MARBLE HALL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
32 CONTINGENT ASSETS		

During the financial year 2007/2008 there was a robbery at the Traffic department for an amount of R97,369.50. The matter was reported to the Police, case No 16/07/2007, and the matter was also reported to the Council's Insurance company, AON. The latter has forwarded an agreement of loss for an amount of R50,000.00, inclusive of an excess amount of R3,000.00

During the year payments were made to Lepelle Northern Water in respect of Bulk Water purchases. The municipality is of the opinion that this expense should be covered through the water service level agreement with the water service authority, Greater Sekhukhune District Municipality. Negotiations are currently underway to resolve this dispute.

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

External Loans	Loan No.	Balance at 30 June 2007	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2008
		R	R	R	R	R
ANNUITY LOANS						
DBSA @15% (Issued in 1997 for 20 years)		1 983 317	295 441	-	85 793	1 897 525
DBSA @14.25% (Issued in 1997 for 20 years)		982 528	138 973	-	44 354	938 174
DBSA @ 10.05% (Issued in 1982 for 25 years)			23	-	-	-
DBSA @16.5% (Issued in 2000 for 20 years)		1 102 175	181 421	-	27 172	1 075 003
DBSA @16.5% (Issued in 2001 for 20 years)		279 356	46 047	-	5 240	274 115
DBSA @16.5% (Issued in 1999 for 20 years)		4 295 517	706 652	-	116 198	4 179 319
FNB Fluctuating Interest (2004 for 5 years)		129 068	11 318	-	129 068	-
Total Annuity Loans		8 771 961	1 379 875	-	407 825	8 364 136
Total External Loans		8 771 961	1 379 875	-	407 825	8 364 136

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	27 543 241	5 051 118			32 594 358	2 657 493	1 687 149		4 344 642	28 249 716	
Roads, pavements, bridges & stormwater	13 834 341	5 051 118			18 885 459	1 480 146	1 030 209		2 510 355	16 375 104	
Water reservoirs & reticulation	751 883	-			751 883	66 973	37 624	-	104 597	647 286	
Fencing	191 577	-			191 577	191 577	-	-	191 577	0	
Car parks, bus terminals & taxi ranks	-	-				-	-	-	-	-	
Electricity reticulation	10 407 846	-			10 407 846	679 879	505 261	-	1 185 140	9 222 706	
Sewerage purification & reticulation	1 851 499	-			1 851 499	191 156	93 475	-	284 631	1 566 868	
Housing	-	-				-	-	-	-	-	
Street lighting	506 094	-			506 094	47 762	20 579	-	68 342	437 753	
Refuse sites	-	-				-	-	-	-	-	
Other (town planning & development)	-	-			-	-	-	-	-	-	
COMMUNITY ASSETS	1 207 902	190 000			1 397 902	73 418	50 012		123 430	1 274 472	
Establishment of parks & gardens	6 490	190 000			196 490	717	6 567	-	7 284	189 206	
Sports fields	200 000	-			200 000	20 000	10 000	-	30 000	170 000	
Community halls	-	-			-	-	-	-	-	-	
Cemeteries	442 739	-			442 739	14 975	14 758	-	29 733	413 006	
Libraries	320 000	-			320 000	21 333	10 667	-	32 000	288 000	
Recreational facilities	-	-			-	-	-	-	-	-	
Clinics	230 000	-			230 000	15 333	7 667	-	23 000	207 000	
Museums & art galleries	4 808	-			4 808	480	160	-	641	4 167	
Other (fire services & cemeteries)	3 865	-			3 865	579	193	-	773	3 093	
OTHER ASSETS	31 909 852	1 181 424			33 091 275	13 753 431	4 921 897		18 675 329	14 415 947	
Motor vehicles	-	635 619			635 619	-	84 285	-	84 285	551 335	
Plant & equipment	20 790 763	-			20 790 763	8 523 208	2 860 932	-	11 384 140	9 406 623	
Office equipment	11 080 199	545 804			11 626 003	5 220 186	1 968 903	-	7 189 089	4 436 914	
Abattoirs	-	-			-	-	-	-	-	-	
Security measures	38 890	-			38 890	10 037	7 778	-	17 815	21 075	
Civic land & buildings	-	-			-	-	-	-	-	-	
Other land & buildings	-	-			-	-	-	-	-	-	
Other (including IT)	-	-			-	-	-	-	-	-	
LAND AND BUILDINGS	7 633 952	11 139 132			18 773 085	356 735	276 366		633 100	18 139 985	
Land	2 146 519	8 343 800			10 490 319	-	-	-	-	10 490 319	
Buildings	5 487 433	2 795 332			8 282 765	356 735	276 366	-	633 100	7 649 665	
TOTAL	68 294 947	17 561 673			85 856 620	16 841 077	6 935 423		23 776 501	62 080 119	

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

	HISTORICAL COST					ACCUMULATED DEPRECIATION					
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Disposals	Closing Balance	Carrying Value	
	R	R	R	R	R	R	R	R	R	R	
EXECUTIVE COUNCIL	690 912	-	-	-	690 912	112 683	82 577	-	195 260	495 651	
Executive Council	690 912	-	-	-	690 912	112 683	82 577	-	195 260	495 651	
FINANCE & ADMINISTRATION	25 791 613	252 603	-	-	26 044 216	7 580 149	2 522 012	-	10 102 162	15 942 054	
Finance	1 398 217	-	-	-	1 398 217	426 000	221 685	-	647 684	750 533	
Property services	2 226 057	7 950	-	-	2 234 007	1 953 914	62 295	-	2 016 209	217 798	
Other & admin	22 167 339	244 653	-	-	22 411 991	5 200 235	2 238 033	-	7 438 268	14 973 723	
PLANNING & DEVELOPMENT 1	25 200 931	-	-	-	25 200 931	5 029 990	2 147 538	-	7 177 529	18 023 402	
Planning & development	25 200 931	-	-	-	25 200 931	5 029 990	2 147 538	-	7 177 529	18 023 402	
ROAD TRANSPORT	3 419 778	4 776 008	-	-	8 195 786	-	391 137	-	391 137	7 804 649	
Vehicle licensing & testing							391 137		391 137	7 804 649	
Roads & stormwater	3 419 778	4 776 008	-	-	8 195 786						
HEALTH	1 509 051	-	-	-	1 509 051	887 231	255 555	-	1 142 786	366 265	
Clinics	672 881	-	-	-	672 881	440 832	105 622	-	546 453	126 428	
Health - other	836 170	-	-	-	836 170	446 393	149 933	-	596 333	239 837	
COMMUNITY & SOCIAL SERVICES	5 019 053	2 823 262	-	-	7 842 315	1 135 699	424 477	-	1 560 176	6 282 139	
Libraries & archives	519 075	-	-	-	519 075	288 458	34 921	-	323 379	195 696	
Community halls & facilities	4 057 239	2 823 262	-	-	6 880 501	832 266	374 798	-	1 207 064	5 673 437	
Cemeteries & crematoriums	442 739	-	-	-	442 739	14 975	14 758	-	29 733	413 006	
PUBLIC SAFETY	188 874	-	-	-	188 874	112 166	32 410	-	144 576	44 298	
Fire	8 717	-	-	-	8 717	2 233	1 425	-	3 658	5 053	
Traffic	152 666	-	-	-	152 666	89 396	29 826	-	119 221	33 445	
Security Services	27 491	-	-	-	27 491	20 538	1 159	-	21 696	5 794	
SPORT & RECREATION 1	1 700 163	-	-	-	1 700 163	537 719	166 323	-	704 042	996 121	
Sport & recreation	1 700 163	-	-	-	1 700 163	537 719	166 323	-	704 042	996 121	
TECHNICAL DEPARTMENT	2 546 812	9 709 542	-	-	12 256 354	557 870	564 217	-	1 122 087	11 134 268	
Mechanical Workshop	105 041	-	-	-	105 041	22 041	11 417	-	33 458	71 582	
Technical General	2 441 772	9 709 542	-	-	12 151 314	535 829	552 800	-	1 088 628	11 062 686	
WASTE WATER MANAGEMENT	4 542	-	-	-	4 542	4 501	1	-	4 503	39	
Sewerage	4 542	-	-	-	4 542	4 501	1	-	4 503	39	
WASTE MANAGEMENT	212 178	-	-	-	212 178	38 168	37 761	-	75 929	136 248	
Solid waste	212 178	-	-	-	212 178	38 168	37 761	-	75 929	136 248	
WATER	1 795 501	-	-	-	1 795 501	793 349	275 799	-	1 069 148	726 353	
Water distribution	1 573 991	-	-	-	1 573 991	793 349	264 693	-	1 058 043	515 943	
Water storage	221 510	-	-	-	221 510	11 108	-	-	11 108	210 404	
ELECTRICITY	215 539	259	-	-	215 798	51 552	35 615	-	87 167	128 631	
Electricity distribution	215 539	259	-	-	215 798	51 552	35 615	-	87 167	128 631	
TOTAL	68 294 947	17 561 673	-	-	85 856 620	16 841 077	6 935 423	-	23 776 501	62 080 119	

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	4 743 322	5 000 000	(256 678)	(5.13)	
Service charges	17 030 641	19 600 100	(2 569 459)	(13.11)	
Rental of facilities and equipment	88 548	67 700	20 848	30.79	
Investment Revenue – external investments	832 546	4 620 000	(3 787 454)	(81.98)	
Interest earned – outstanding debtors	295 110	200 000	95 110	47.55	
Licenses and permits	8 463 323	8 756 250	(292 927)	(3.35)	
Government grants and subsidies received - operating	27 049 648	27 488 300	(438 652)	(1.60)	
Government grants and subsidies received - capital	6 060 985	7 053 000	(992 015)	(14.07)	
Public contributions, donated and contributed property, plant and equipment	9 515 910	-	9 515 910	#DIV/0!	
Other revenue	1 364 180	1 790 950	(426 770)	(23.83)	
Fair Value Adjustment - Land held for sale	-	-	-	#DIV/0!	
Total Revenue	75 444 211	74 576 300	867 911	1.16	

APPENDIX E
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related costs	24 467 813	25 522 170	(6 325 029)	(20.54)	
Remuneration of councillors	4 995 679	5 270 672	(274 993)	(5.22)	
Bad debts	215 310	90 000	125 310	139.23	
Depreciation	6 935 423	-	6 935 423	#DIV/0!	
Repairs and maintenance	2 379 539	3 209 760	(830 221)	(25.87)	
Finance cost	1 393 718	1 399 000	(5 282)	(0.38)	
Bulk purchases	8 578 372	9 093 000	(514 628)	(5.66)	
General expenses (including abnormal expenses)	21 476 893	23 891 894	(2 415 001)	(10.11)	
Fair Value Adjustment - Land held for sale	227 176	-	227 176	#DIV/0!	
Total Expenditure	70 669 925	68 476 496	2 193 429	3.20	
NET SURPLUS/(DEFICIT) FOR THE YEAR	4 774 287	6 099 804	(1 325 517)	(21.73)	